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DIRECTORATE OF  
INTELLIGENCE

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## *Developments in Indochina*

State Dept. review completed

**Top Secret**

25X1

25X1

125

26 January 1973

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25X1

DEVELOPMENTS IN INDOCHINA

*(Information as of 1500)*

REGIONAL DEVELOPMENTS

Communist logistical levels throughout Indochina are at peak levels.

SOUTH VIETNAM

Communist activity is confined to scattered shelling of government positions. President Thieu tells the police and the bureaucracy that he is relying on them to preserve the peace.

INTERNATIONAL DEVELOPMENTS

Moscow is worried about increased Chinese influence in Indochina in the postwar era. Peking has yet to comment authoritatively on the Vietnam agreement. The European Communities are beginning to focus on Indochina.

LAOS

Government forces have retaken Sala Phou Khoun.

CAMBODIA

The government has cleared Route 2 from Phnom Penh to Takeo.

25X1

26 January 1973

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25X1

[REDACTED]

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REGIONAL DEVELOPMENTS

During the past week the pace of Communist logistical activity throughout Indochina has reached peak levels. That activity extends from the panhandle of North Vietnam through southern Laos and deep into northeast Cambodia.

[REDACTED]

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The most dramatic increase in activity has been in the Laos panhandle and northeastern Cambodia.

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25X1

Heavy logistic activity has spread to northeast Cambodia.

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25X1

26 January 1973

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Logistic activity has been proceeding at a high pace in South Vietnam's MR-1.

25X1

These extensive logistic efforts may represent an attempt by the North Vietnamese to move as many supplies as possible into place in South Vietnam before the imposition of cease-fire restrictions.

25X1

26 January 1973

-2-

25X1

25X1

SOUTH VIETNAM

Communist offensive activity throughout the country remains limited to shellings of government troop positions and military facilities.

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Enemy gunners shelled Da Nang, Pleiku, and Bien Hoa airbases on the night of 25/26 January, causing few casualties and light damage. Scattered shellings of light intensity also were reported elsewhere in the country. The most active area is the delta, where [redacted] Communist main force units are trying to infiltrate from Cambodia. Most of the units involved appear to be associated with the enemy's Phuoc Long Front, elements of which are already in the delta. Much of the action during the past week in the delta has resulted from South Vietnamese efforts to block these movements and from government-directed attacks against the enemy's 5th Division in Dinh Tuong Province.

25X1

In the northern half of the country, fairly heavy shellings of government positions continued along the Thach Han River in Quang Tri Province. These appear aimed at containing government forces and preventing them from pushing farther north to the Cua Viet River. Some fire support bases west of Hue also reported light shellings, probably from a regiment of the 324B Division that was detected earlier this week moving closer to Hue. In Military Region (MR) 2, action flared up in the northern three districts of Binh Dinh Province, which are predominately under Communist control, but much of it also appeared designed to keep South Vietnamese units from enlarging the area under government control.

26 January 1973

25X1

25X1

Some South Vietnamese officials anticipate that fighting will continue after the cease-fire. Two province chiefs in MR-2 have told American observers that they have ordered their territorial forces to continue fighting "as long as necessary" after the cease-fire to push out any Communist units that may have occupied government villages and hamlets.

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The Mood in Saigon

The Saigon government is continuing to stress the limited nature of the cease-fire agreement and the need to win a "political struggle" with the Communists. President Thieu has followed up his address announcing the agreement with speeches to the national police and to information cadres exhorting them to make greater efforts in the "new phase" of the struggle. Thieu asserted that the country needs a strong army and police force, and that the police and the bureaucracy would play the main role in ensuring security and achieving political, economic, and psychological stability.

Thieu repeated the theme that a lasting peace depends on the good will of the Communists, but expressed his belief that they will seek to prolong peace talks "to achieve their military and political schemes." The Communists will resort to delaying tactics because they are exhausted, Thieu said. He predicted, however, that even if an election were organized and the Viet Cong lost, they would accuse the Thieu regime of fraud and resume the war.

The population, meanwhile, appears to be taking the news about the cease-fire calmly and adopting a wait-and-see attitude. Leaders of the National Assembly are preparing for a possible special session to vote support for the agreement. They believe that an Assembly role is called for and that the necessary votes can be lined up, but they are uncertain as to the timing of such a session and the procedures to be followed.

25X1

26 January 1973

25X1



25X1

INTERNATIONAL DEVELOPMENTS

Moscow's desire to circumscribe possible Chinese gains in Indochina as a result of the Vietnam settlement came through clearly in a conversation on 25 January between the Soviet Ambassador and his US counterpart in Vientiane. The Soviet asked whether the US had any plans to establish diplomatic relations with North Vietnam and whether Saigon would soon be establishing diplomatic relations with the "socialist bloc." The ambassador also inquired whether the US thought the question of Chinese road-building activity in northern Laos would become an issue in the current Lao peace talks.

Moscow's desire to minimize Chinese influence in North Vietnam is such that the Soviets probably would not object to a US diplomatic presence in Hanoi. As Hanoi's dependence on the USSR for a continuing influx of sophisticated weaponry diminishes, the Soviets fear that North Vietnam will tend to rely more on China. They may believe a US presence would slow that process. The USSR would be even more favorably disposed to a US presence in North Vietnam, if, at the same time, Moscow could establish some sort of official presence in the South. Although the Soviets have long held that a reunified Vietnam under control of the North offered the best means of limiting Chinese influence, the ambassador's remarks may suggest that Moscow believes reunification is still a long way off.

Moscow's present interest in a Lao settlement also has a distinctly anti-Chinese cast. The Soviets doubtless hope that a settlement will obviate the need for the Chinese presence in Northern Laos. Over the years, the Soviets have been as mystified as many Westerners about the ultimate purpose of Chinese activity (some Soviet officials actually urged the US to force the Chinese out), and the ambassador's query may be the opening shot in a strong behind-the-scenes effort by Moscow to make Chinese troop withdrawals

26 January 1973

25X1

25X1

part of any Lao accord. Lao Prime Minister Souvanna, anxious to gain Chinese assistance in resolving the Laotian conflict, has already indicated that he is not interested in linking a Chinese withdrawal to a Laotian settlement. As a result of his apparent willingness to accept a continuing Chinese presence, a Soviet effort to force the Chinese out, is not likely to meet with success.

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Chinese Remain Quiet

Peking still has not commented authoritatively on the Vietnam agreement; nor has the New China News Agency broadcast the brief statement issued by the Information Department of the Foreign Ministry on 24 January. NCNA did report excerpts from President Nixon's televised address including direct quotations regarding Washington's consultations with Saigon, US recognition of the Thieu regime as the sole legitimate government of South Vietnam and the responsibilities of "other interested nations to help ensure that the agreement is carried out." NCNA also has rebroadcast verbatim the text of the Vietnam agreement and several official North Vietnamese and Viet Cong statements. The current time lag between event and Chinese comment is not unusual; authoritative commentary has frequently taken a few days in the past.

25X1

EC Aid to Vietnam

The European Communities' political committee decided last week to establish a working group on Asian affairs that will focus on policy toward China and Indochina. The group is formally charged with considering "questions posed by the relations of the member states with North Vietnam and the contribution the Europeans could make on behalf of all of Vietnam once hostilities are over."

Under Belgian chairmanship the new subcommittee will meet on 6 February to discuss a joint EC aid effort.

26 January 1973

25X1

25X1

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A Belgian official has said that, in the case of North Vietnam, presumably the government or an agency thereof would be the entity with which the EC could deal in organizing an aid program. He was less sure of the appropriate body or bodies in South Vietnam, however, and left the impression that the Nine might wish to deal with political entities other than, or in addition to, the government. The chairman of the political committee, also a Belgian, had earlier told the US Embassy that any EC aid program for Indochina would be coordinated with the US. [REDACTED]

25X1

26 January 1973

-7-

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25X1

LAOS

Government irregulars retook the Sala Phou Khoun road junction south of Luang Prabang on 25 January.

25X1

The reoccupation of the junction should force Pathet Lao and dissident neutralist units strung out along Route 13 to pull back, and Lao Army commanders hope that their troops will then be able to reopen other stretches of Route 13. Elsewhere, heavy Communist attacks along Route 9 in the central panhandle have forced government troops to fall back and form a new defensive line a few miles east of Muong Phalane. North Vietnamese units in the area evidently are determined to keep pressure on the government force defending Muong Phalane.

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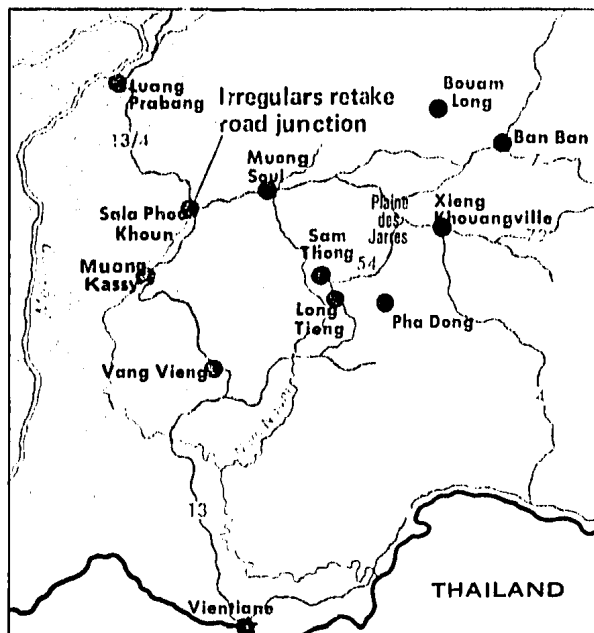
Another Straw

The government, which chronically suffers from adverse financial pressures, has taken on another burden in the guise of assistance with the recent signing of a \$4.76 million French loan agreement. The loan, which was first proposed last November, is to be used for water supply, communications facilities, an animal feed plant, and a brick and tile plant. A large portion of the loan is short-term, high-interest suppliers' credits, with scheduled repayments highest in the early years. The loan will add over the next five years some \$2 million to existing obligations of \$7.6 million that are already straining the government's financing capacity. Its terms are harsher than the guidelines established by international financial institutions for assistance to developing countries. Acceptance of the French terms may limit the willingness of other donor countries--particularly those that adhere to the guidelines--to grant future loans on more lenient terms.

25X1

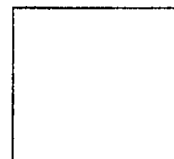
26 January 1973

25X1



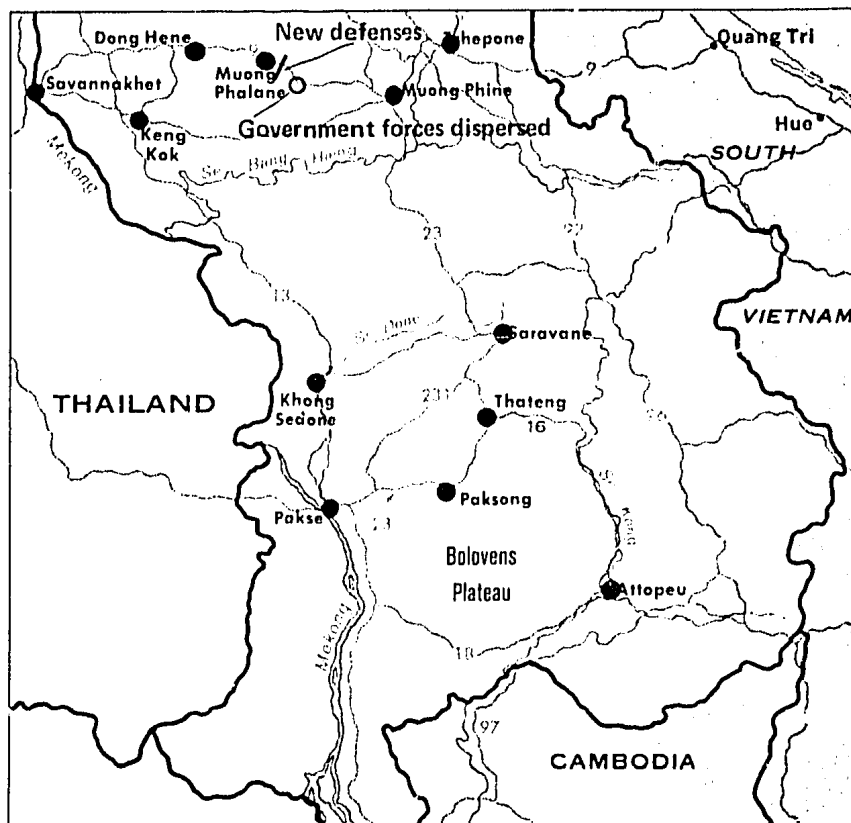
LAOS

Area of maps



- Government-held location
- Communist-held location

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CAMBODIA

Government forces cleared all remaining sections of Route 2 from Phnom Penh southward to the town of Takeo on 25 January. They met no opposition, as Communist elements had already pulled back from the highway. Government military losses during the three-week campaign along Route 2 now stand at 52 killed and 182 wounded. Civilian casualties were only slightly lower. Some 400 houses and six bridges along the highway were destroyed.

In the north, the situation at Kompong Thom has improved following US air strikes on suspected Communist positions around that town on 24 January. Elsewhere, the Communists attacked several government positions about 15 miles southwest of Phnom Penh and harassed 12 outposts northeast of the capital on 24 and 25 January. Government troops successfully fended off the attacks, while sustaining losses of 12 killed and 42 wounded.

Meanwhile, Cambodian Army Chief of Staff Major General Sosthene Fernandez has put the army on a 24-hour alert at least until after the government makes its cease-fire announcement, which is due in the next day or two. The terms of the alert require all staff officers and combat troops to remain at or near their duty stations.

25X1

25X1

26 January 1973

25X1

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